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ABSTRACT

This article analyzes education and finance in Texas. It reports that Texas spends less per pupil on education than many other states in the nation--despite a greater than 10 percent increase in state appropriations for education since 1996. There is also high variance in per-pupil expenditures from one district to the next, with some school districts spending more than twice as much on total operating expenditures per pupil than others. The document discusses how Texas schools are funded and describes efforts that are being made to ensure equity in school finance. It provides a history of school finance in Texas, describing how, in 1984, a group of school districts filed suit charging that the state's heavy reliance on property taxes to fund education resulted in expenditure differences that violated the Texas Constitution. The article reports that all property wealth in the state is now taxed more equitably. It concludes that Texas needs to re-evaluate its level of educational spending, and states that Texas must provide adequate educational opportunities for all of its children, regardless of their income or residence within a specific school district. A chart lists total operating expenditures by county per pupil for 1996-97. (RJM)

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MEASURING UP
The State of Texas Education

A SPECIAL REPORT OF THE TEXAS KIDS COUNT PROJECT

SCHOOL FINANCE IN TEXAS

Texas has one of the largest and fastest growing school-age populations in the nation. There were 3,828,975 students in the public school system in 1996-1997. The school-age population in Texas will, according to the U.S. Department of Education, increase by14 percent between 1996 and 2008.[1] The cost of educating large numbers of students, particularly students with special needs, is increasing dramatically.

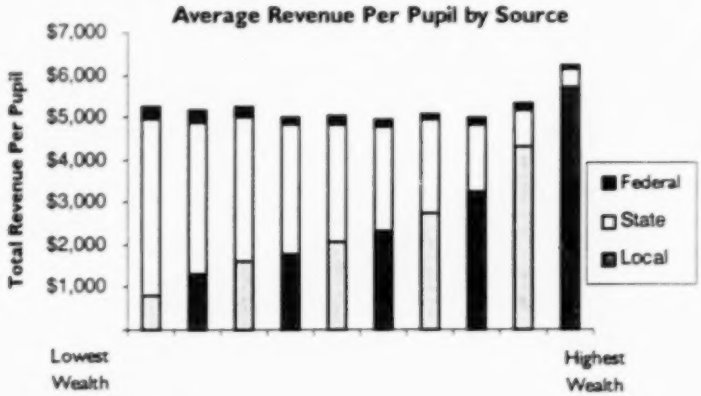
Texas Spends Less on Students than National Average

Texas spends less per pupil on education than many other states in the nation. In spite of a greater than 10 percent increase in state appropriations for education since 1996[2], Texas ranks toward the bottom compared to other states in per pupil spending for education (31st out of 50 states).[3] The average per pupil expenditure (including all funding sources) in the U.S. for the fiscal year 1996 was $5,652 and Texas' average per pupil expenditure was $5,168 — $484 less per pupil in Texas.[4]

School finance has been the subject of numerous political, legislative, and legal discussions (See History of School Finance in box). However, Texas children still do not have equal access to school funding. There is a great degree of variance in per pupil expenditures from one district to the next. In Texas, some school districts spent more than twice as much on total operating expenditures per pupil than others. While most of the school districts spent between $4,019 to $8,146 per student in 1996-97, four counties spent more than $10,000 per student and four counties spent less than $4,000 per student on operating costs.[5] This inequity in spending, along with the resulting inequities in resources, performance, and student achievement, affect the quality of the entire educational system in Texas.

How are schools funded?

Schools in Texas are funded through a combination of federal, state, and local funds. School funding in 1996-1997 included: federal funds, 4 percent; state general revenue funds, 44 percent; and local funds, 52 percent.[6] The high wealth districts receive most of their funds from local sources (such as property taxes) while the low wealth districts receive more funds from state sources.[7]



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The state budget for public education during the 1998-9 biennium is $21.6 billion — up 12.3 percent over the previous biennium.[8] At the state level, elementary and secondary education is the largest item in the state budget making up 44 percent of the General Revenue Funds.[9] Increased appropriations for education have been made possible by a variety of measures including: increasing and expanding tax rates, adding new revenue sources such as the lottery, and including recaptured taxes from wealthy school districts.[10] (See History of School Finance on the next page for more information on recaptured taxes.)

"Texas allocates funds to school districts through the 2-tiered system known as the Foundation School Program (FSP). Under Tier One of the FSP, local school districts receive a basic allotment based on the number of students enrolled in their regular education program. Districts also receive funds based on the number of students enrolled in special programs. These additional funds are made available on the basis of "weights" or increases to the regular program. Adjustments are also made based on factors outside the control of school districts. Tier Two of the FSP provides additional funding through the guaranteed yield system based on local district tax effort."[11]

In addition to the program of state, federal and local aid, Texas school districts receive free textbooks, which are purchased by the state and distributed to schools using established formulas.[12]

Equity in School Finance

Researchers concerned about the equity of school finance have focused on two important definitions of equity: vertical equity and fiscal neutrality. Vertical equity recognizes that legitimate differences occur among children and that some students, such as those who are disabled, have low academic achievement, or limited English proficiency, need additional educational services. Therefore, school districts receive additional funds from the state for students in these special programs.[13]

The concept of fiscal neutrality holds that no relationship should exist between revenue generated per pupil per penny of tax rate and local district property wealth per pupil.[14] School districts should be able to obtain similar revenue for similar tax effort. However, in the current system people living in districts with lower property wealth per student have to tax themselves at a higher rate than people living in higher wealth districts in order to raise the same amount of revenue per student, creating a greater tax burden on poorer households. In addition, school property taxes have increased statewide by 174 percent over the last 13 years.[15]

Conclusion

Texas needs to re-evaluate its level of educational spending. Texas must provide adequate educational opportunities for all of its children, regardless of their income or residence within a specific school district. Increasing the state-funded portion of public education funding would help ease pressure on local property taxpayers. Texas must consider ways to increase its spending on education so that it is more in line with the nation as a whole.

This report is part of a series called *Measuring Up: The State of Texas Education*. This and other reports on education will be published both on the Texas Kids Count web site (http://www.cppp.org/kidscount) and in hard copy form. Please call or email The Center for Public Policy Priorities to request copies: (512) 320-0222 hormuth@cppp.org

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[1] *Projections of Education Statistics to 2008*. U.S. Department of Education, National Center for Education Statistics, http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=98016.

[2] *Fiscal Size Up*, 1998-99 Biennium Texas State Services, Legislative Budget Board, Austin, Texas. 1998. p. 6-1.

[3] Ibid.

[4] Ibid.

[5] This range applies to 95% of all school districts. *Snapshot '97, 1996-97 School District Profiles*. Texas Education Agency.

[6] Ibid.

[7] Ibid.

[8] *Fiscal Size Up*, 1998-99 Biennium Texas State Services, Legislative Budget Board, Austin, Texas. 1998.

[9] Ibid. pp.1-2.

[10] *The Basics of Texas Public Finance*. Texas Association or School Boards. 1996.

[11] *Fiscal Size Up*, 1998-99 Biennium Texas State Services, Legislative Budget Board, Austin, Texas. 1998.

[12] *The Basics of Texas Public Finance*, Texas Association or School Boards. 1996.

[13] *School Finance: State Efforts to Reduce Funding Gaps Between Poor and Wealthy Districts* (2/5/97, GAO/HEHS-97-31).

[14] *School Finance: State Efforts to Reduce Funding Gaps Between Poor and Wealthy Districts* (2/5/97, GAO/HEHS-97-31).

[15] *Annual Property Tax Report*. 1996. Comptroller of Public Accounts. Issued Oct 1997.

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HISTORY OF SCHOOL FINANCE IN TEXAS

In 1984, a group of school districts filed suit (Edgewood v. Kirby), charging that the state's heavy reliance on property taxes to fund education resulted in expenditure differences that violated the Texas Constitution. The districts argued that the disparity in districts' property wealth limited the ability of less wealthy districts to raise adequate funds.

After a trial in 1987 and appeals throughout the state court system, the Texas Supreme Court in 1989 ruled that the finance system violated the constitutional provision for an "efficient" system. The court noted that glaring disparities existed in the abilities of less wealthy school districts to raise revenues from property taxes because taxable property wealth varied greatly by district. The wealthiest district had over $14 million of property wealth per pupil, while the poorest had about $20,000.[2] As a result, less wealthy districts struggled to raise the revenue needed to fund programs that met the state's basic education requirements.

In response to the Texas Supreme Court decision, the Legislature met in special session and passed, in June 1990, Senate Bill 1 (SB 1), a reform measure that provided more money for equalization but left intact the school finance system. Less wealthy districts appealed, and, in January 1991, the Texas Supreme Court struck down SB 1, holding that while SB 1 improved the school finance system it still did not restructure the system to ensure that less wealthy districts had substantially equal access to revenue from similar tax effort.

Senate Bill 351 (SB 351), signed into law in April 1991, set up a system that would partially consolidate the tax bases of individual districts. It created 188 County Education Districts, which were countywide taxing entities encompassing several school districts, with cumulative property wealth no greater than $280,000 per pupil. These districts were to levy state-mandated property taxes and redistribute the revenues to their member districts on an equalized basis. This time the wealthy districts appealed, and in January 1992, the Texas Supreme Court ruled that SB 351 was unconstitutional because it (1) violated the state constitution provision that prohibits a state property tax, and (2) levied a school property tax without voter approval. The Texas Supreme Court gave the Legislature until June 1993, to create a new school finance system.[1]

The Texas Legislature, in May 1993, passed a new measure, Senate Bill 7 (SB 7), in an attempt to develop a system that would meet the test of the State Supreme Court. In 1995, the Texas Supreme Court stated that "the Texas system passed constitutional muster" and has been in place since.[2] The new mechanism in SB 7 is a 'recapture' provision that created greater equality in property wealth among districts. The term 'recapture' refers to the exporting of locally raised property taxes from one or more school districts to be used elsewhere to equalize resources in a school finance system.[2] The Texas Education Agency has redistributed the following amounts for wealth equalization:

School Year	Revenue Redistributed for Equalization (in millions)[3]
1993-4	$310.0
1994-5	135.6
1995-6	104.9
1996-7	228.0

This redistribution of funds, known as the "Robin Hood" system, attempts to ensure that all property wealth in the state is taxed more equitably. However, the redistribution of recaptured funds is unable to close the gap between rich and poor districts in their ability to raise money for students. Despite all these efforts, the majority of school districts are still unable to generate as much tax revenue per penny as wealthier districts. State aid is provided to lower wealth districts to guarantee they are able to generate $21 per weighted* student per penny of tax effort. However, wealthier districts are able to generate up to $28 per weighted student per penny of tax effort. Therefore, the majority of districts must tax at a higher rate to raise the same amount of money per student as the wealthiest districts. Many are not able to bear this tax burden.

* Students with special needs are weighted so schools receive more funding for the special services these students need.

Sources:

1. *School Finance: Three States' Experience with Equity in School Funding.* Letter Report, 12/19/95, GAO/HEHS-96-39.
2. *The Basics of Texas Public School Finance,* Texas Association or School Boards. 1996.
3. *Receipts and Disbursements for Texas Public School Education, 1997.* Texas Education Agency.

Total Operating Expenditures Per Pupil, 1996-97

County	Per Pupil	County	Per Pupil	County	Per Pupil	County	Per Pupil	County	Per Pupil
Anderson	$4,799	Crane	$5,210	Hartley	$7,338	Marion	$4,978	San Saba	$5,804
Andrews	$5,673	Crockett	$6,299	Haskell	$6,482	Martin	$6,047	Schleicher	$5,622
Angelina	$4,139	Crosby	$6,182	Hays	$4,546	Mason	$7,027	Scurry	$5,032
Aransas	$5,320	Culberson	$5,785	Hemphill	$6,512	Matagorda	$4,911	Shackelford	$5,757
Archer	$5,076	Dallam	$4,839	Henderson	$4,509	Maverick	$4,363	Shelby	$4,773
Armstrong	$5,661	Dallas	$4,632	Hidalgo	$4,855	McCulloch	$5,468	Sherman	$4,510
Atascosa	$4,834	Dawson	$4,991	Hill	$4,684	McLennan	$4,749	Smith	$4,226
Austin	$4,532	Deaf Smith	$4,225	Hockley	$5,564	McMullen	$9,828	Somervell	$8,129
Bailey	$5,911	Delta	$3,947	Hood	$4,197	Medina	$4,366	Starr	$4,614
Bandera	$5,016	Denton	$4,591	Hopkins	$4,533	Menard	$6,432	Stephens	$4,610
Bastrop	$4,836	Dewitt	$5,249	Houston	$4,782	Midland	$4,279	Sterling	$6,783
Baylor	$5,880	Dickens	$6,547	Howard	$4,738	Milam	$4,764	Stonewall	$6,456
Bee	$4,751	Dimmit	$4,771	Hudspeth	$6,430	Mills	$6,734	Sutton	$6,318
Bell	$4,827	Donley	$6,016	Hunt	$4,330	Mitchell	$7,103	Swisher	$5,697
Bexar	$5,134	Duval	$5,694	Hutchinson	$4,622	Montague	$5,305	Tarrant	$4,480
Blanco	$5,000	Eastland	$4,966	Irion	$8,192	Montgomery	$4,824	Taylor	$4,955
Borden	$11,447	Ector	$4,276	Jack	$5,524	Moore	$4,268	Terrell	$9,610
Bosque	$5,081	Edwards	$6,188	Jackson	$5,124	Morris	$5,379	Terry	$5,282
Bowie	$4,303	Ellis	$4,446	Jasper	$4,949	Motley	$6,531	Throckmorton	$7,039
Brazoria	$4,398	El Paso	$4,509	Jeff Davis	$7,326	Nacogdoches	$4,613	Titus	$3,976
Brazos	$4,894	Erath	$4,346	Jefferson	$4,909	Navarro	$4,770	Tom Green	$4,285
Brewster	$5,430	Falls	$4,710	Jim Hogg	$5,667	Newton	$5,072	Travis	$4,461
Briscoe	$5,491	Fannin	$4,760	Jim Wells	$4,729	Nolan	$5,110	Trinity	$4,947
Brooks	$4,445	Fayette	$4,047	Johnson	$4,312	Nueces	$4,656	Tyler	$5,337
Brown	$5,053	Fisher	$6,305	Jones	$5,426	Ochiltree	$4,546	Upshur	$4,698
Burleson	$5,034	Floyd	$4,877	Karnes	$5,460	Oldham	$9,171	Upton	$7,653
Burnet	$4,727	Foard	$5,898	Kaufman	$4,390	Orange	$4,961	Uvalde	$4,589
Caldwell	$4,366	Fort Bend	$4,584	Kendall	$4,165	Palo Pinto	$4,911	Val Verde	$4,522
Calhoun	$4,857	Franklin	$4,717	Kenedy	$20,859	Panola	$5,245	Van Zandt	$4,344
Callahan	$4,893	Freestone	$5,190	Kent	$12,090	Parker	$3,940	Victoria	$4,414
Cameron	$5,057	Frio	$4,856	Kerr	$4,516	Parmer	$5,195	Walker	$4,794
Camp	$4,175	Gaines	$6,463	Kimble	$5,709	Pecos	$6,329	Waller	$4,679
Carson	$5,953	Galveston	$4,634	King	$16,127	Polk	$4,790	Ward	$5,533
Cass	$4,851	Garza	$5,575	Kinney	$6,516	Potter	$4,294	Washington	$4,642
Castro	$5,412	Gillespie	$4,636	Kleberg	$5,131	Presidio	$5,039	Webb	$4,558
Chambers	$5,540	Glasscock	$7,828	Knox	$6,518	Rains	$4,864	Wharton	$4,385
Cherokee	$4,549	Goliad	$5,033	Lamar	$4,316	Randall	$3,643	Wheeler	$7,057
Childress	$5,342	Gonzales	$4,732	Lamb	$5,445	Reagan	$5,882	Wichita	$4,641
Clay	$5,133	Gray	$4,838	Lampasas	$4,545	Real	$6,126	Wilbarger	$4,496
Cochran	$6,647	Grayson	$4,769	La Salle	$5,161	Red River	$5,175	Willacy	$5,276
Coke	$6,488	Gregg	$4,351	Lavaca	$4,861	Reeves	$5,322	Williamson	$4,660
Coleman	$5,379	Grimes	$4,935	Lee	$5,047	Refugio	$5,992	Wilson	$4,330
Collin	$4,882	Guadalupe	$4,733	Leon	$5,247	Roberts	$7,790	Winkler	$6,590
Collingsworth	$5,641	Hale	$4,659	Liberty	$4,401	Robertson	$5,375	Wise	$4,907
Colorado	$4,885	Hall	$5,560	Limestone	$5,392	Rockwall	$4,120	Wood	$4,503
Comal	$4,632	Hamilton	$4,662	Lipscomb	$7,296	Runnels	$5,312	Yoakum	$6,797
Comanche	$4,334	Hansford	$6,263	Live Oak	$5,449	Rusk	$5,181	Young	$4,510
Concho	$6,430	Hardeman	$6,051	Llano	$5,434	Sabine	$5,226	Zapata	$4,894
Cooke	$4,829	Hardin	$4,506	Lubbock	$4,521	San Augustine	$5,522	Zavala	$5,196
Coryell	$4,627	Harris	$4,727	Lynn	$5,535	San Jacinto	$4,544		
Cottle	$6,530	Harrison	$4,261	Madison	$5,077	San Patricio	$4,690	**Texas**	**$4,717**

These numbers are calculated by dividing the total operating expenditures by the total number of students. The operating expenditures are a subset of the total expenditures; they do not include debt service, capital outlay, or community services.

Source: Texas Education Agency

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